

SUNDAY, NOVEMBER 15, 1903

By Edwin Lefevre.

HE WAS only 17, fair-haired and rosy cheeked, with girlish blue eyes, when he applied for the vacancy in the office of Tracy & Middleton, bankers and brokers. His name was William N. Haywood, and he was a proud boy indeed when he was selected out of twenty applicants to be telephone clerk for the firm.

From 10 a. m. until 3 p. m. he stood by Tracy & Middleton's private telephone on the floor of the stock exchange—the board room—receiving messages from the office—chiefly orders to buy or sell stocks for customers—and transmitting the same messages to the board members of the firm, Mr. Middleton; also telephoning Mr. Middleton's reports to the office. He spoke with a soft refined voice, and his blue eyes beamed so ingeniously upon the other telephone boys in the same row of booths that they immediately nicknamed him Sally.

He learned the business, as nearly all boys must do in Wall street, by absorption. He heard nothing but speculate! In one guise or another, many words with the same meaning. It was all buying or selling of stocks—a concentrated and almost visible flow of making much money in the twinkling of an eye. The air was almost unbearable for the innumerable tips to buy or sell securities and the securities of all kinds. The brokers, the customers, the clerks, the exchange doorkeepers, all Wall street read the morning papers, not to ascertain the news, but to pick stock items as would, should or might have some effect on stock values. There was no god but the ticker and the brokers were its prophets!

As time wore on the glamour of the game wore off; likewise his scruples. His employer and the customers—all gentlemen, agreeable people—speculated every day, and nobody found fault with them. It was not a sin; it was a regular business. And so, whenever there was a "good thing" he "clipped in" \$1 to a telephone boys' pool that later operated in a New street bucket shop to the extent of ten shares. His means were small, his salary being only \$8 a week; and very often he thought that if he only had a little more money he would speculate on a larger scale and profit proportionately.

Now, the position of telephone boy is really important in that it requires not only a quick-witted, but a trustworthy person to fill it. In the first place, the boy knows whether his firm is buying or selling certain stocks; he must exercise discrimination in the matter of awarding the orders should the board member of the firm happen to be unavailable when the boy receives the order. For example, International Pipe may be selling at 108 in Tracy & Middleton's office, who has bought 500 shares of it at 104 wishes to "corral" his profits. He gives an order to the firm to sell the stock, let us say, "at the market"; that is, at the ruling market price. Tracy & Middleton immediately telephone over their private line to the stock exchange to their board member to "sell 500 shares of International Pipe at the market." The telephone boy receives the message and "puts up" Mr. Middleton's number, which means that on the multi-colored, checkered "trip on the frieze of the New street wall, Mr. Middleton's number, 671, appears by means of an electrical device. The moment Mr. Middleton sees that his number is up, he hastens to the telephone booth to ascertain what is wanted. Now, if Mr. Middleton delays in answering his number, the telephone boy knows he is absent and gives the order to one of the "two-dollar" brokers, who always hover about the board room, waiting for orders. He does not care if he knows that Mr. Middleton is very busy executing some other order, or, in his judgment, the order calls for immediate execution.

Young Haywood attended to his business closely, and when Mr. Middleton was absent from the office or busy he impartially distributed the firm's telephone buying or selling orders among the two-dollar brokers, for Tracy & Middleton did a very good commission business indeed. He was a nice looking and nice acting little chap, with a clean face, polite and amiable. The brokers liked him and they "remembered" him at Christmas. The best memory was possessed by "Joe" Jacobs, who gave him \$25 and insisted that he be given a clean bill of health. Tracy & Middleton's business than he had been getting "anything."

"But," said Sally, "the firm said I was to give the order to whichever broker I found first."

"Well," said Jacobs, indignantly, "I am never too busy to take orders from such a nice young fellow as yourself if you take the trouble to find me; and I'll do something nice for you. Look here, in a whisper, if you'll give me plenty of business I'll give you a week's salary. You see, I'm a broker, and I'm supposed to give you 50 cents a hundred." Willie had been in the business for two years, and he was a well dressed youth, indeed. Sally now understood how he managed it on a salary of \$12 a week for him.

He did not say anything to the firm that day nor any other day. And he didn't say anything to Jacobs in return, but by Willie's sage advice contented himself with merely withholding all orders from that "dear old person" until Mr. Jacobs was moved to remonstrate. And Sally, who had learned a great deal in a week under Willie's tuition, answered curtly: "Business is very bad; the firm is doing hardly anything."

"But Watson told me," said Jacobs, angrily, "that he is doing a great deal of business for Tracy & Middleton. I want you to see that I get my share on 'Till speak to Middleton and find out what the trouble is." "Is that so?" said Sally, calmly. "You might as well tell Mr. Middleton that you offered me \$5 a week to give you the bulk of our business."

Jacobs came down to business at once. "I'll make it \$8."

"Jim Burr, who had the position before me," expostulated Sally, indignantly, "told me he received \$25 from Mr. Grant, with an extra \$10 thrown in from time to time, when Mr. Grant made some lucky turn, so say nothing of what the other men did for him."

"You must be crazy," said Jacobs, angrily. "Why, I never get much more than a thousand shares a week from Tracy & Middleton, and usually less. Say, you ought to be on the floor. You are wasting your talent in the telephone business, you are. Let's swap places, you and I."

"According to our books," said Sally to the irate broker, having been duly coached by Mr. William Simpson, "the last week you did business for us you got 3,800 shares, and received \$76."

"That was an exceptional week. I'll make it \$10," said Jacobs.

"Twenty-five," whispered Sally, determinedly. "I'll give you \$15 a week, but you must see that I get at least 2,500 shares a week."

"All right, I'll do the best I can for you, Mr. Jacobs."

And he did, for the other brokers gave him only 25 cents, or at the most, 50 per hundred shares, in the course of a month or two Sally was in possession of an income of \$40 a week. And he was only 18. Time passed. As it had with his predecessor, so it did with him. He began by speculating, wildly at first, more carefully later. From the bucket shops he went to the Consolidated Exchange. Then he asked Jacobs and the other two-dollar brokers to let him retain his small way with them, which they did out of personal liking for him, until he had three separate accounts and could "swing a line" of several hundred shares.

At last the blow fell which Sally had so long dreaded—he was "promoted" to a clerkship in Tracy & Middleton's office. The firm meant to reward him for his devotion to his work, for his brightness and quickness. From \$15 a week they raised him to \$25, which they

considered quite generous, especially in view of his youth and that he had started three years before with \$8. He was only 20 now. But Sally, knowing it meant the abandonment of his lucrative perquisites as telephone "boy," bemoaned his undesired fate.

He took the money he had made to Mr. Tracy and told him an interesting story of a rich aunt and a legacy, and asked him to let him open an account in the office. Tracy congratulated his young clerk, took the \$5,000 and thereafter Sally was both an employee and a customer of Tracy & Middleton.

Sally speculated with varying success, running up his winnings to \$10,000 and seeing them dwindle later to \$6,000. But, in addition to becoming an inveterate speculator, he gained much valuable experience. He became friendly and even familiar with Tracy & Middleton's clients, among whom were some very wealthy men, for a stock broker's office is a very democratic place.

He really was a bright, amiable fellow, very obliging—he was paid for it by the firm—and he made the most of his opportunities. The customers grew to like him exceedingly well, and to think with respect of his judgment, market-wise. One day W. Basil Thornton, one of the wealthiest and boldest customers of the firm, complained of the difficulty of "beating the game" with the heavy handicap of the large brokerage commission.

Justly, yet hoping to be taken seriously, Sally said: "Join the New York stock exchange, or buy me a seat, and form the firm of Thornton & Haywood. Just think, colonel, we would have your orders, and you could bring some friends, and I could bring mine, and I think many of these"—pointing to Tracy & Middleton's customers—"would come over to us. They all think a lot," diplomatically, "of your opinions on the market."

Thornton was favorably impressed with the idea and Sally saw it. From that moment on he worked hard to gain the colonel's confidence. It was he who gave Thornton the first hint of Tracy & Middleton's condition, which led to the withdrawal of Thornton's account from the office. It was a violation of confidence and business ethics, but Thornton was very grateful when, two months later, Tracy & Middleton failed under circumstances which were far from creditable and which were discussed at great length in the street. He showed his gratitude by adding a round sum to Sally's \$11,500, and Willis N. Haywood became a member of the New York stock exchange. Shortly afterward the firm of Thornton & Haywood, bankers and brokers, was formed. Sally, then in his twenty-fifth year, had become a seasoned Wall street man.

From the start the new firm did well. Colonel Thornton and two or three friends who followed him from Tracy & Middleton's office, all of them "plungers," were almost enough to keep Haywood busy on the exchange executing orders, and, moreover, new customers were coming in.

Thornton was a rich man, and protected his own speculations more than amply. He noticed the development of his young partner's gambling proclivities, and remonstrated with him in a kindly, paternal sort of way.

Sally vowed he would stop.

Within less than three months he had broken his promise twice, and his unsuccessful operations in Alabama Coal at one time threatened seriously to embarrass the firm.

Colonel Thornton came to the rescue.

Sally promised, with a solemnity born of sincere fear, never to do it again.

But right taste only a little space, and memory is equally short lived. Wall street was no room for men with an excess of timidity or of recollection. He had gambled before he joined the New York stock exchange.

And then, too, Willis N. Haywood, the board member of Thornton & Haywood, was a very different person from Sally, the nice little telephone boy of Tracy & Middleton's. His cheeks were not pink; they were mottled. His eyes were not clear and incisive; they were shifty and a bit watery. He had been in Wall street eight or ten years and he overworked his nerves every day from 10 a. m. to 3 p. m. on the stock exchange; also from 5 p. m. to midnight at the cafe of a big downtown hotel, where Wall street men gathered to talk shop. His system craved stimulants; gambling and liquor were the strongest he knew.

When, after two years, the firm expired by limitation, Colonel Thornton withdrew, and Sally had enough of Haywood's plunging. To be sure, Sally had become a shrewd "trader," and he had made \$75,000 during the big bull boom; but he was at heart a "trader," which is to say a mere gambler in stocks, and not a desirable commission man.

But Sally, flushed with success on the bull side, did not worry when Thornton refused to continue the partnership. The slogan was: "Buy A. O. T. It's the most prosperous period in the history of the United States." The most prosperous period in the history of the United States began an epidemic of speculative madness such as was never before.

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fore known and probably never again will be. Everybody had money in abundance and the desire for speculation in superabundance. Sally formed a new firm immediately—Hayward & Co.—with his cashier as partner.

All mundane things have an end, even bull markets and bear markets. The bull market saw Hayward & Co. doing a good business, as did everybody else in Wall street. It ended, and the firm's customers, after a few bad "clumps" in prices, were admonished to turn bears to recoup their losses. Bears believe prices are too high and should go lower; bulls, optimists, believe the opposite. The public can't sell stocks "short" any more than the average man is left handed. These customers were no exception, so they did nothing.

Hayward had "overstayed" the bull market, though not disastrously; that is, he was in error regarding the extent and duration of the upward movement of prices. He proceeded to fall into a similar error on the bear or downward side. The market had been exceedingly dull following what the financial writers called a "severe decline," but which meant the loss of millions of dollars by speculators. Hayward's customers, like everybody else's customers, were not speculating. So he used their money to protect his own speculations. Office expenses were numerous and heavy commissions few and light.

Hayward was very bullish. He had sold stocks, sharing the belief of the majority of his fellows that the lowest prices had not been reached. As a result he was heavily "short" and he could not "cover" at a profit, because prices had advanced very slowly, but very steadily.

One day a big gambler in Chicago, bolder or keener than his eastern brethren, thought that the time was ripe for a "bull" or upward movement in general, and particularly in Consolidated Steel Rod company's stock. He was the chairman of the board of directors. Mr. William G. Dorr decided upon a plan whereby the stock would be made attractive to that class of speculative investors, so to speak, who liked to buy stocks making generous disbursements of profits to their holders. Mr. Dorr's plan was kept a secret. The first step consisted of sending in large buying orders, handled by prominent brokers, and synchronously the publication in the daily press of various items, all reviling the wonderful prosperity of the Consolidated Steel Rod company and its phenomenal earnings; also the unutterable cheapness of the stock at the prevailing price. Mr. Dorr and associates, of course, had previously taken advantage of the big slump or fall in values to buy back at 35 the same stock they had sold to the public some weeks before at 70. Having acquired this cheap stock, they "manipulated"—by means of further purchase—the price so that they could sell at a profit.

It so happened, however, that once before dividend rumors about "Con. Steel Rod" had been disseminated with the connivance of Dorr, and they had not come true to the great detriment of credulous buyers and greater profit of the insiders, who were "short" of the stock "up to their necks"—a typical bit of stock jargon whereat other and more artistic stock jobbers had expressed the greatest indignation. Instead of putting the stock on a dividend-paying basis, the directors had decided at the last hour—that it would not be conservative to do so, whereupon the stock had "broken" seventeen points. The lambs lost hundreds of thousands of dollars; the insiders gained as much. It was a "nice turn."

Hayward remembered this and when the stock, after several days of conspicuous activity and steady rates, rose to 52, he promptly sold short 5,000 shares—believing that the bare-faced manipulation would not raise the stock much above that figure and that before long it must decline. Only a month previously it had sold at 35 and nobody wanted any of it. He was sold to the hilt, and he had no doubt that the "top" had been reached by prices, because Mr. Dorr, in a Chicago paper, had stated that the stockholders would probably receive an entire year's dividends as one fell swoop by reason of the unexampled prosperity in the steel rod trade. The shorts were unprecedented. It had been talked about at various times in connection with other stocks, but it had never come true. Why should it come true in this instance?

Hayward, familiar with Dorr's record, promptly "copped" his tip to buy, banking on Dorr's consistent mendacity. But Mr. William G. Dorr, shrewdest and boldest of all western stock gamblers, fooled everybody—he actually told the price of the stock to directors did exactly as he had predicted. When a speculator of his caliber lies he fools only one-half—the foolish half—of the street. When he tells the truth, he deceives everybody. Before Wall street could recover from the shock the price of the stock was up 5 points, which meant that Hayward was out \$25,000 on that deal alone. But, in addition, the general list was carried upward sympathetically. Money rates and bear hopes fell; stock values and bull confidence rose! Hayward began "covering" Steel Rod. He "bought in" 5,000 shares and after he had finished he

had lost \$26,750 by the deal. He was still "short" about 12,000 shares of the stock, on which his "paper" losses at the last quoted prices were over \$35,000. If he tried to buy back such a large amount of stock in a market so sensitive to any kind of bull impetus, he would send prices upward in a jiffy, increasing his own losses very materially.

He went to his office that morning in a tremor. He consulted the cashier and found that he had only \$2,000 at the bank, of which two-thirds belonged to his customers. He was already morally speaking, an embezzler. He was ruined if he didn't cover, and he was ruined if he did.

His "seat" on the stock exchange was worth possibly \$40,000, not a cent more; and as he personally owed his out-of-town correspondents \$35,000, he could not avoid being hopelessly ruined. Moreover, his bankruptcy would not be an "honest" failure, for, as he told himself bitterly, after the harm was done, "I had no business to speculate on my own hook with other people's money."

Now he was face to face with the question that every gambler dreads: "If I stood to lose all, how desperate a risk would I take to get it back?" As he left his office to go to the "back room," he put to himself the fateful query, but he would not let himself answer it until he had stopped at "Fred's," the official barroom of the stock exchange, and had taken a stiff drink of raw whisky. Then the answer came.

He was ruined anyhow. If he failed without further ado, that is, without increasing his liabilities, he would be cursed by twenty-five of his customers and fifty of his fellow brokers who were "lending" stocks to him. But if he made one last desperate effort, he might pull out of the hole; or, at the worst—why, the number of cursing customers would remain the same but the fellow brokers would rise to twenty or thirty.

He took another stiff drink. The market had undoubtedly become a bull market. The bears had been fighting the advance, and there still remained a stubborn short interest in certain stocks, for, example, in American Sugar company stock. Now if that short interest could be stamped it might mean an 8 or 10-point advance. If he bought 10,000 or 15,000 shares and sold them at an average profit of four or five points, he would pull off the disaster, and if he made 10 points he would be a great operator. He had to be sure, no business to buy over 1,000 shares of Sugar; but then he had no business to be on the verge of bankruptcy.

The hour was potent. Sally said to himself, aggressively: "I might as well hang for a stock as for one measly old mutton."

He walked a trifle instead of "Fred's" across the narrow asphalted New street to the stock exchange. He passed at the entrance. There was no escape. Unless he could make a lucky strike, he would fall ignominiously.

"Pike's Peak or bust!" he muttered to himself, and walked into the big room.

"Good morning, Mr. Hayward," said the doorkeeper. Hayward nodded absently, caught himself repeating, "Pike's Peak or bust!" and walked straight toward the Sugar post.

He began to bid for stock. One thousand shares at 115. He gave it. Juster thousand. It was forthcoming at 116 1/2. So far so good. Then he bid 117 for 2,500 shares, and it was promptly sold. But when he bid "117 for any part of 5,000!" the crowd hesitated, the brokers were not altogether sure Hayward was "good for it," his ability to pay for the stock was not undoubted. So Sally, taking advantage of the hesitation, bid 117 1/4 and 117 1/2 for 5,000 Sugar, at which price "Billy" Thatcher, a two-dollar broker, sold it to him. He made 10,500 shares Hayward had bought, and the stock had risen only 1 1/2 points. The shorts were not frightened a wee bit. But Sally was. He rushed

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Wechsler Returned to the Board and Began to Sell Sugar on His Own Account.

out of the crowd to his telephone and made a pretense of "reporting" the transactions to his office. He would have done had they been bona fide purchases. He was followed by a hundred sharply curious—and curiously sharp-eyed. They saw him hold the telephone receiver to his ear with an expression of great interest, as if he were listening to an important message. But the only message he heard was that of his heartbeats, which seemed to say, almost articulately: "You have played and you have lost; you have played and you have lost. You have lost. Therefore, you are that much worse off than before. You must play again and not lose!"

He left his telephone and rushed back to the Sugar crowd. He was less excited, less like a drunken man; his face was no longer flushed, but pale. And anon there flashed upon him the words, "Pike's Peak or bust!" But Pike's Peak glowed dully, feebly, while the alternative was of a lurid splendor. And he blinked his eyes and made a curious impatient motion with his hand, as one waves away an annoying insect.

He gave an order for 5,000 Sugar to his friend, Newton Hartley.

"Is this for yourself, Sally?" asked Hartley.

"No, it's for one of the biggest men in the street, Newt. It's all right. Absolutely O. K."

And thus reassured, Hartley bought the stock. The price was 118. The seller would hold Hartley responsible for the purchase money if Hayward "laid down"—refused to pay.

Sally wiped his forehead twice, quite unnecessarily. The shorts were not stampeding. Any attempt to sell out the 15,000 shares he had bought would result only in depressing the price 5 points at least. It was worse than had—the outlook for him.

He gave another order to buy 5,000 shares to "Billy" Lansing, an old reliable two-dollar broker, but Lansing declined it. He tried another, but the order was not accepted. They mistrusted him; but he could not even bluster, for they excused themselves on the ground of having important orders elsewhere. So he had recourse to another personal friend—J. G. Thompson.

"Joe, buy 5,000 Sugar."

"Are you sober?" said Thompson, seriously. "See for yourself," said Sally, laughingly. He had never, "Old man, I've got a big order from one of the biggest men in the street. Some important developments are going on."

"Sally, are you sure you've got an order from some of the biggest men in the street? This incredulity was obviously in the nature of an insult, but it was pardonable, for there was too much at stake."

"Joe, come over to the office and I'll show you. Remember, I can't tell you. You can draw it out. I've been buying Sugar for all you are worth." And as he uttered the lie, he looked straight into Thompson's eyes.